



Wayne K. Curry
County Executive

THE PRINCE GEORGE'S COUNTY GOVERNMENT

OFFICE OF THE COUNTY EXECUTIVE



March 27, 2002

The Honorable Peter A. Shapiro
and Members of the County Council
County Administration Building
Upper Marlboro, Maryland 20772

This is a copy of the County Executive's transmittal letter for the Proposed FY2003 Current Expense Budget. It is included here for reference to indicate the financial and policy considerations that shaped the development of the budget. The table following the transmittal letter summarizes the changes made to the Proposed Budget by the County Executive and the County Council—changes that are incorporated in the Approved Budget which is presented in this document

Dear Chairman Shapiro and Members of the County Council:

For your consideration and approval, I am pleased to submit my eighth proposed current expense budget. This FY2003 budget is a reflection of the County's ability to efficiently and systematically do *business in a changing environment*. Despite the discouraging national economic indicators and stagnant revenue growth, I am submitting a maintenance level budget with modest increases in most County departments. As always, the lion's share of the budget increase falls to the Board of Education, my highest priority since my first year as County Executive. I am proud to say that in spite of a sometimes disagreeable economic environment, I have always funded the Board of Education at unmatched levels.

We have worked hard to make great strides during this Administration. Through prudent decision-making, a little compromise and hope, we have changed from *a community of promise to a community transformed*. This budget is a continuation of that transformation.

The FY2003 Proposed Current Expense Budget for the General Fund is \$1,674,346,700, an increase of \$74,974,400, or 4.7%, over FY2002. This budget also represents a 42.3% increase over my first current expense budget in fiscal year 1996. The County's contribution to the Board of Education will increase by \$10 million over the FY2002 level, more than double our mandated increase under the State's Maintenance of Effort formula (\$4.9 million). This is accomplished in two ways:

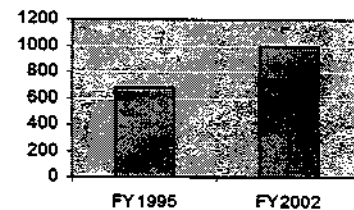
- The County increased its contribution to the Board by \$10 million.
- The County made permanent \$10 million, which was for one-time purchases of computers, technology, materials, and equipment for new schools.

The County has greatly increased the amount of funding for the Board of Education supported by continuing revenues from taxes and fees. The Board of Education's budget constitutes close to 63% of the County's budget. Further, under this Administration and with your concurrence, the County has increased its funding of public education from \$704.4 million in 1996 to \$1,052.8 billion proposed for the upcoming fiscal year.

Background

This is a revenue-based budget and is driven by the national economic environment. During the past year, the nation's economy experienced a downturn with the Gross Domestic Product (GDP) growth sliding to -1.3% in the third quarter of 2001. In an attempt to stimulate the economy, The Federal Reserve Board cut interest rates 11

School Funding (\$ in Millions)



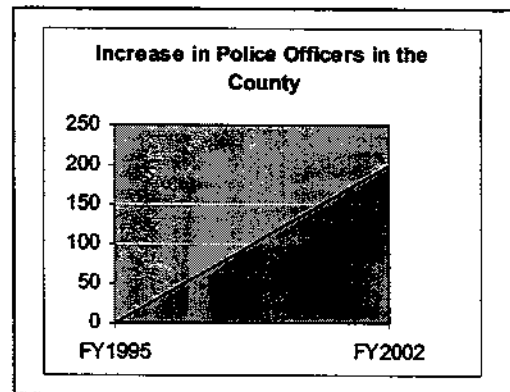
This represents a 46% growth in the County's contribution to the Board of Education since FY1995.

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times in 2001 to an historical low (1.75% for federal funds rate). The nationwide economic downturn, together with the September 11 attacks has affected the regional and local economy. The unemployment rate in the County rose to 4.9% in January 2002, compared to 3.1% in January 2001. Annualized employment growth for County residents decreased by 0.6% in January 2002. Fortunately, the nation's economy began to recover, as indicated by positive GDP growth (1.4%) in the fourth quarter of 2001. The economic outlook for the County is also expected to improve, although it is still too early to be sure how fast the recovery process could be.

I remind you that we have weathered unforgiving fiscal climates in the past that have at times required draconian measures, but at all times, the County has remained fiscally sound and solvent. In my first year as County Executive, I inherited a fiscally strapped government. Deep cuts were made and sadly, jobs were lost. However, we worked together to craft a structurally sound budget. In the end, we were left with a smaller and restructured government that delivers services to the citizens more efficiently than ever before.

During our first year, the financial plan we developed brought about a streamlined government. This effort allowed us to do more with less in FY1997. By re-thinking the role of government, we reduced the cost of delivering services by utilizing technologies and committing to appropriate decisions to create a bright and prosperous future. Despite a second consecutive year of financial constraints, we continued to focus on funding education and public safety. The Board of Education received the largest increase of funding in 10 years and 77 new sworn positions were added to the Police Department's budget.



"Keeping a strong commitment to sound fiscal practices" was the theme for FY1998. Again, supporting our children through education remained a priority. Teacher salaries were supplemented by a merit and cost of living increase. At 63% of the County's total operating expense budget, the County's contribution to the Board of Education's budget was at its highest level in three decades. The County's Park-School initiative was also implemented. The construction of several new public schools was to be integrated with community or recreation centers. Public safety continued to enjoy a sizeable increase. I augmented funding in the Police Department to support 1,400 sworn officers. Additionally, the State's Attorney budget was increased to support criminal prosecutions. Lastly, we made great strides in human service delivery and implemented successful welfare reform strategies.

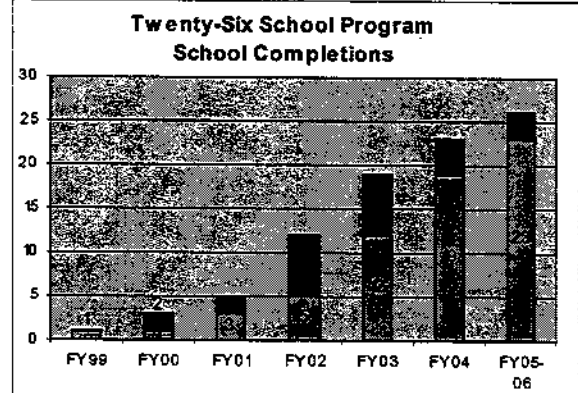
The clouds cleared in FY1999 with the stabilization of our revenue stream, which was enhanced by the strength of the economy and stock market. As a result, our balanced budget continued its emphasis on education and safety. On the education front, pursuant to a Memorandum of Understanding between the County, the Board of Education and the NAACP, we agreed to an ambitious school construction plan. The plan called for capital expenditures of at least \$32 million each year over the next four years. The public safety departments also enjoyed infrastructure improvements including a new police station in the Eastover Shopping Center and the expansion of the detention center.

The FY2000 Budget was built on a community-based theme that continued the emphasis on education and safety. The hallmark of the FY2000 budget year was a plan to expand the County's commitment under the Memorandum of Understanding to build 26 new schools. Operationally, the Board of Education was provided with funding to hire more teachers at competitive salaries to encourage retention in the critical first five years of service. Despite a continued stable economic picture, I urged fiscal restraint and encouraged investments that would bring long term gains rather than expenditures that would merely produce short-term gratification. To that end, we invested in technology to ensure Y2K compliance. Other technology investments included the desktop modernization plan, and effecting new Countywide permit and document management systems.

Prudent spending in the prior year paved the way for funding for Countywide full day kindergarten classes, and a \$28 million salary increase for teachers in FY2001. In August 2000, the County proudly opened two new high schools- Charles Flowers High School and the new Northwestern High School (\$85 million investment), as well as the Perrywood Elementary School. Coupling my education and public safety priorities, twenty additional officers

were funded specifically for posts in County high schools. Having successfully navigated the Y2K crisis due to sensible investment in technology, the County was able to enjoy financial stability in this and the following years.

The vision for FY2002, "Changing the way we do business," materialized as a result of structural reorganizations and realignments aimed at optimizing service delivery. In the beginning of my term in FY1996, we were forced to restructure our government for the purpose of financial survival in what was a bleak post-recession economy. Now, we could initiate changes based on encouraging effectiveness and economies of scale. The bulk of these changes were made in the economic development sphere, discussed later. However, other structural changes occurred within the Office of Personnel and Labor Relations, the realignment of the Office of Business and Regulatory Affairs with the Department of Environmental Resources, and the newly-created Office of Information Technology and Communications. Additionally, some agency budget functions were centralized within the Office of Management and Budget.



Also this year, holding true to my education and public safety focus, capital construction and renovation projects continued for both education and public safety facilities, including the consolidation of the Brentwood, Mt. Rainer, and Colmar Manor/Cottage City Fire Stations into the new Bunker Hill Fire Station. Once again, it is my belief that sensible spending and investment will assure the County's fiscal health today and pave the way for continued prosperity.

Structural changes at the department level are fewer in the FY2003 proposed budget as the bulk of the changes were made this year. Those changes are enumerated below under the major budget areas.

Education and Library

As was true for the first year of my Administration, our dedication to improving the quality of education is our foremost priority. While we understand that the County Government's role in quality education is limited to providing funding for the Board of Education, we continue to provide close to 63% of the County's total current expense budget for the Board of Education's budget. This level of funding will support salary increases for teachers consistent with recent years.

Further, we have actively pursued an aggressive school construction strategy first unveiled in my FY1999 budget and later expanded in the following year. This year alone, we expect to make the following strides in the realm of school construction and renovation:

- Four new elementary and two new middle schools will open this year;
- Two elementary schools closed for renovation in recent years will reopen; and
- One school that was closed by the Board of Education in the early 1980's - Berwyn Heights - will be renovated and reopened.

If we maintain our current path, 12 of the 26 schools we pledged to build and reopen four years ago will be open by the end of my tenure, and 11 others will be under construction or design.

With regard to the 13 schools we pledged to open under the Memorandum of Understanding, eight schools are either open now or will open by the fall of 2002. Three more are either under construction or are scheduled to be under construction by the end of FY2002.

This leaves two - Colmar Manor and Homer Avenue. Both have unresolved site issues or other impediments that have forced delays. We have requested State construction approval and funding for both schools

in FY2003. Under a commitment agreed to in FY1998 and extended in FY2002, the State pledged to provide a minimum of \$35 million per year for school construction in the years FY1999-2003. It now seems possible that the State may not follow through on their original agreement and funding for both Colmar Manor and Homer Avenue Elementary Schools could be in jeopardy. To assure that construction can begin on these schools, the County will use fund balance to provide \$3 million to each school project. This funding is in addition to the \$4.5 million in General Obligation Bond (GOB) proceeds programmed for each of these schools. In essence, we are prepared to fund both the County and State shares in FY2003. Consequently, under the concept of forward funding, we will seek reimbursement from the State in the future. Should the State fund their share of these schools in FY2003, the \$6 million will be used to advance the construction of the schools remaining on our list.

Regarding library services, we can move forward with building the new Accokeek Library in large part due to the innovative sale/lease back program that was recently endorsed by the Council. This agreement will permit the County to sell the land on which the Accokeek Library will be constructed to a development company, which will in turn build the library, and subsequently lease the library back to us. The County benefits in that we receive a guaranteed price agreement. Therefore, if difficulties such as soil mitigation or major increases to construction materials occur, the County is held harmless - the company instead absorbs the cost. Another benefit is that a fixed delivery date has also been established. If the company cannot finish construction and hand over the keys on that agreed upon date, the penalty clause is automatically engaged.

Collectively, State and Federal aid for schools, the Community College and the Library System is expected to increase by 7.5%. Aid to the Board of Education is expected to increase by 7.6%. Aid to the Community College should increase by 8.2%. The Community College increase is primarily attributable to a programmed tuition increase. Although library aid is projected to decrease by 3.3%, this is not the result of any structural change in outside aid. The Library used \$0.5 million of its own fund balance in FY2002 to purchase materials earmarked for the new Accokeek library. This use of one-time funding is not repeated in FY2002. Educational aid is still the County's largest source of revenue growth.

Public Safety

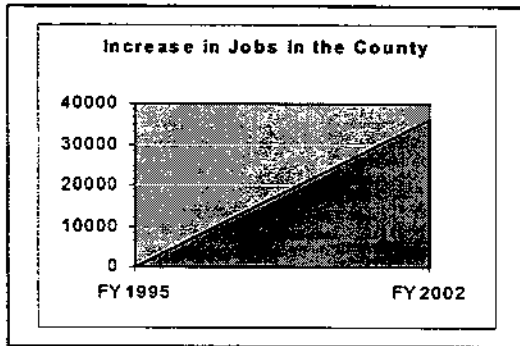
The terrorist attacks of September 11, 2001 had a profound impact on Prince George's County's public safety resources, particularly due to our proximity to the District of Columbia. Our public safety personnel were involved in supporting emergency service operations at the Pentagon. Further, our personnel responded to anthrax incidents at several locations within the County. Public safety personnel were also summoned to respond to potential anthrax exposures at several Federal facilities. With the increased emphasis on homeland security, the County will purchase additional equipment and continue to prepare the public safety workforce in the event of any future emergencies. Specifically, the Fire/EMS Department will purchase new apparatus and vehicles equipped to handle unusual emergencies.

The Police Department's proposed total spending in FY2003 is a 6.5% increase over the prior year's budget. This funding will support 1,420 sworn officer positions. The FY2003 budget also includes funding to support the new technologies added over the last few years, including the aviation unit and the mobile data terminals (MDT's) installed in all cruisers. This budget proposal also includes resources for new technological improvements such as the installation of video cameras in police cruisers and video recording equipment in all Department facilities utilized for the processing of apprehended persons. Programmatically, the Department will be engaged in long term planning for upgrades to its equipment and developing strategies to make the best use of its recent acquisition of technology.

The Sheriff Department will complete their relocation to the new headquarters this year. Throughout, the Department will maintain its focus on providing court security during the renovation of the Courthouse and serving warrants and protective orders.

Several of the aforementioned public safety agencies will take part in a records management system to take advantage of new technologies, allowing them to more efficiently allocate their limited human resources. The details of the new systems are discussed in more detail below.

Economic Development



This year, there were several changes to the various organizations responsible for carrying out the economic development initiatives of the County. All of these adjustments were made in an effort to combine operational functions where a potential for improvement existed. As a result, the following six organizations, in addition to 17 County and bi-county agencies, continue to play a major yet distinct role in the innovative and comprehensive economic development programming of Prince George's County:

- The **Economic Development Corporation (EDC)** will continue and increase its focus on the retention and expansion of existing county businesses.
- The **Financial Services Corporation (FSC)** will expand its efforts to provide small business development loans through the Small Business Administration (SBA). This year, the FSC reviewed a total aggregate demand for capital of \$6.3 million of SBA loan requests.
- The **Conference and Visitors Bureau (CVB)** will expand its marketing and promotion role, which is shared with the EDC.
- The **Workforce Services Corporation (WSC)** will expand its responsibility of securing employment opportunities where the County has made capital investments.
- The **Revenue Authority** will increase its financing and programming activities to be a more active catalyst for economic activity in the County. This year, the Parking Authority was merged with the Revenue Authority.
- Finally, the **Redevelopment Authority** will continue to expand its activities in the redevelopment of some of our more mature communities. It will continue its innovative projects for the creation of the Arts District and the reprogramming of the Suitland area.

This year, the Redevelopment Authority of Prince George's County implemented the Community Development Block Grant Section 108 Loan Guarantee program, also known as the Community Building Loan Fund (CBLF). This program pledges future CDBG grants as a guarantee for loans for large-scale development projects such as the acquisition and rehabilitation of commercial properties. The Redevelopment Authority secured approval from the U. S. Department of Housing & Urban Development (HUD) to use approximately \$10 million in Section 108 funding and approximately \$1 million in HUD-Economic Development Initiative (EDI) funding. The EDI funding is only used as a reserve to offset costs resulting from bad debt expenses associated with the CBLF loans.

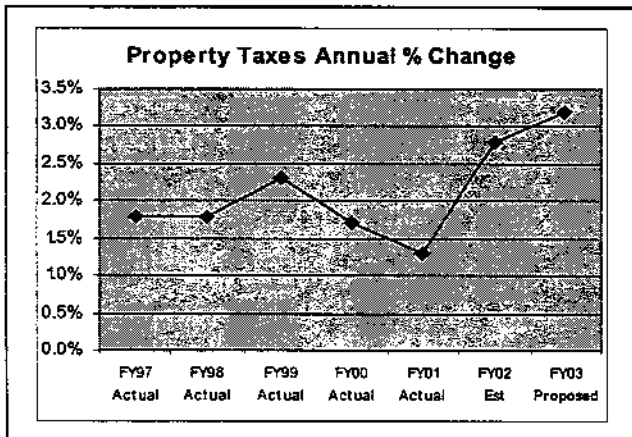
Moving to the Capital Budget, projects that will be under construction in FY2003 include the new Accokeek Library, the renovation of the Oxon Hill Branch Library to include the Sojourner Truth wing, the renovation of the Bladen Science Wing at the Community College, and the renovation of the Courthouse in Upper Marlboro. In addition, construction or design will be underway on numerous road projects including Ritchie Road, Walker Mill Road, Cherry Hill Road and Suitland Road. Roadway projects supporting economic development and revitalization include Phases II and III of the reconstruction of Ammendale/Virginia Manor Roads, Auth Road and the repair or replacement of 11 bridges.

Technology

FY2002 was the first year that the newly-created Office of Information Technology and Communications operated as an independent County agency. I am pleased to announce that this restructuring has proven successful and the end users have benefited from this achievement. Beginning this year and continuing in FY2003, the County will take the desktop modernization effort one-step further, as all PC's migrate to a Windows 2000 environment. It should be noted that since taking office, we have increased our desktop availability and usage by over 800%. This is yet another affirmation of my commitment to keep the County's technology up to date.

Several public safety agencies will participate in and benefit from new records management systems. These new systems will integrate several existing records systems to provide for a more timely and efficient exchange of information. The Corrections Department will be a major recipient, creating an inmate tracking system. The County received a Federal grant that will support the cost of the new records management systems and will be fully integrated with the Computer Aided Dispatch, mobile data terminals, and other technological facilities. This will enable mobile units to do field reporting with minimum keystrokes and serve as a management tool for department supervisors. Additionally, this system will also allow information sharing with other public safety agencies to further enhance our officers' ability to abate crime.

Financial Condition



The County's total General Fund revenues are projected to reach \$1.7 billion in FY2003, an increase of 4.7% from the FY2002 budget. County source revenue is estimated to grow by 3% in FY2003, including use of one time financing sources.

The FY2002 estimated County source revenue is lower than budgeted due to a nationwide economic recession as well as the impact of the September 11th terrorist attacks. In particular, interest income, hotel/motel taxes, and admissions and amusement taxes suffered a significant decline. However, a moderate recovery of revenue is projected for FY2003, as the macro-economic picture improves.

In the next fiscal year, key revenue sources such as property taxes and interest income are projected to show a recovery from their weak performance in FY2002. Income tax revenue in FY2003 is projected to increase 2.7% from the FY2002 budget, partly due to the increase in the State Income Disparity Grant (from \$6.9 million in FY2002 to \$14.7 million in FY2003). Real property taxes are expected to show stronger growth in both FY2002 and FY2003, as a result of new construction and higher reassessment. In FY2003, real property tax revenue is projected to increase by 5.2% from the FY2002 budget. Revenue from personal property taxes is projected to grow slowly in FY2003 due to State deregulation of electric utilities. However, the County will continue to receive a State electricity deregulation grant (\$7.7 million) to compensate for a portion of this loss.

Spending Affordability

The Spending Affordability Committee (SAC) has continued to provide a valuable, independent analysis of our revenue and expenditure outlook. For FY2003, the Committee recommended an overall spending ceiling of \$1.662 billion, a \$62.4 million increase over the FY2002 budget.

Since the inception of the SAC, I have made an effort to adhere to its recommendations. This year, my proposed FY2003 spending level is \$12.6 million above the SAC's recommendation. In my FY2003 budget, a fund balance infusion provides an additional revenue source. I propose to allocate these funds as follows:

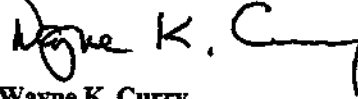
- Pay-go funding to ensure timely completion of the Memorandum of Understanding construction program;
- Grant funding to support important civic projects;
- Funding for a memorial to honor County residents who died as a result of the terrorist attacks of September 11, 2001 and
- Funding to increase the County's contribution to the Board of Education.

This additional funding is necessary, as the State's continuous aid for such projects is uncertain given their fiscal difficulty. This financial infusion is crucial since the impact of the economic recession and unforeseen events in 2001 appears to be more severe than originally estimated.

Overall, this budget efficiently manages our resources in keeping with the expenditure priorities of my Administration - education, public safety, and economic development. Further, this economic strategy has been viewed positively by the rating agencies and *Governing Magazine*.

I look forward to one more productive budget approval process, and I appreciate the opportunity to serve the citizens of this County. It is my hope and belief that continuing to make prudent decisions based on long-term goals will foster fiscal soundness and allow for a government that can meet the needs of its citizens and weather the storm of our changing environment around us.

Sincerely,

A handwritten signature in black ink, appearing to read "Wayne K. Curry". The signature is fluid and cursive, with the first name "Wayne" being more prominent and the last name "Curry" following in a similar style.

Wayne K. Curry
County Executive